RENTAL MARKET REPORT

St. John's

Canada Mortgage and Housing Corporation

VOLUME 3 EDITION 1
OCTOBER 2001

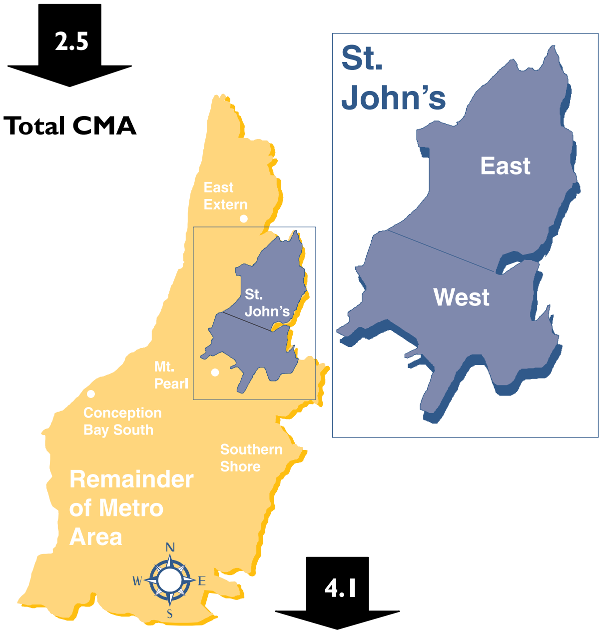
Metro Rental Market Tightens Further

St. John's CMA

Rental market conditions within the St. John's region tightened further during 2001 maintaining a trend which began back in 1998. At 2.5 per cent, the vacancy rate declined for the fourth consecutive year and fell to its lowest level since 1990. This year's rate was also substantially lower than the peak level of 16.6 per cent experienced in 1997. October's rate equates to only 96 vacant units, a decline of approximately 60 vacant units from October 2000 and almost 700 units from its historical high recorded in 1997. Although tight conditions are prevalent throughout the metro region, similar to recent trends, the City of St. John's continues to be most affected. In fact, the St. John's market is currently viewed as being undersupplied, a situation not seen since 1990.

2.5

Total CMA



3.3

St. John's EAST

1.4

St. John's WEST

4.1

Remainder of Metropolitain Area

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SUMMARY

- The vacancy rate for privately initiated apartment structures (three units and over) within the St. John's CMA fell to 2.5 per cent in October 2001, its lowest level since 1990.
- Vacancies were highest in bachelor units at 8.6 per cent and lowest in two bedroom units at 1.5 per cent.
- Vacancies remained highest in Zone 3 (remainder of metropolitan area outside the urban core) at 4.1 per cent and lowest in St. John's west at 1.4 per cent.
- Average rental rates posted a mixed performance. Rents for both bachelor and three bedroom units were relatively flat over the past twelve months. In contrast, two bedroom units advanced 4.2 per cent while rental rates in one bedroom units increased by a more modest 2.5 per cent.
- Continued strength in the local economy and limited construction of apartments should cause the vacancy rate to remain between 2.0 and 3.0 per cent in 2002.

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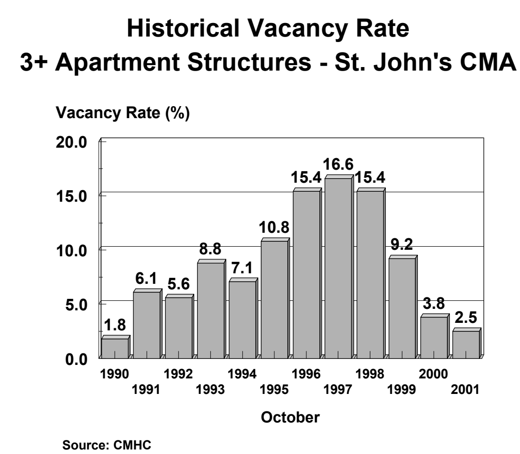
A vacancy rate of 3.0 to 4.0 per cent is generally considered to reflect balanced market conditions. As a general rule, a vacancy rate in this range provides renters with adequate choice and landlords with a reasonable rate of return.

Within the region, St. John's west remained the tightest submarket with a vacancy rate of 1.4 per cent in October, up slightly from 1.2 per cent a year earlier. St. John's east was next lowest at 3.3 per cent, compared to the October 2000 level of 4.1 per cent. Following a prolonged period of double digit rates, the rental market in the remainder of the CMA located outside of St. John's city limits experienced the largest improvement. Take up of apartment units in outlying areas rose sharply in October, as the vacancy rate plummetted to 4.1 per cent. This was substantially lower than the 19.4 per cent recorded last year.

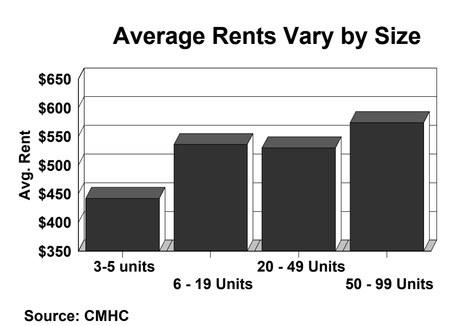
Vacancy rates were highest in bachelor units at 8.6 per cent and lowest in two-bedroom units at 1.5 per cent. Three-bedroom apartments posted a 2.2 per cent vacancy rate while only 1.7 per cent of one-bedroom apartments lay vacant in October. With the majority of vacancies occurring in apartments that rent for less than $500 per month, shortages of good quality rental accommodation exist throughout the region.

Despite the tightening in market conditions over the past 12 months, changes in monthly rental rates have been mixed. Rents for both bachelor and three bedroom units were relatively flat posting declines of 0.7 per cent and 0.3 per cent, respectively. In contrast, rents for two bedroom units, which also recorded the lowest vacancy rate, advanced 4.2 per cent. This follows a 6.8 per cent jump in 2000. Rents for one bedroom units increased by a more modest 2.5 per cent last year. The factors influencing rental market performance in recent years have remained fairly consistent.



Does Size Matter?

According to the 2001 Rental Market Survey in St. John's CMA, average rents tend to be higher in buildings with 50-99 units. So what is it about the size of a building that allows its owners to demand a higher rent? Larger buildings will tend to have higher average rents than smaller rental structures as the latter are unable to compete with other types of land uses (i.e. commercial, office) for the most accessible locations within the city. As a result, the highest valued land will typically be developed as higher density apartment buildings. Although larger buildings may not have the same degree of personality as the very small buildings, they are often very convenient and accessible to shopping, professional services, and other desirable locales that will demand higher rents. Also, economies of scale realized through the operational efficiencies of managing a large number of units gives developers the ability to add extra amenities (e.g., fitness facilities, on-site convenient stores) to the building.



Apartment Vacancy Rates in Regions Across Canada

Region	2000	2001
Calgary CMA	1.3	1.2
Chicoutimi-Jonquière CMA	4.4	4.4
Edmonton CMA	1.4	0.9
Halifax CMA	3.6	2.8
Hamilton CMA	1.7	1.3
Kitchener CMA	0.7	0.9
London CMA	2.2	1.6
Montreal CMA	1.5	0.6
St. Catharines-Niagara CMA	2.6	1.9
Oshawa CMA	1.7	1.3
Ottawa	0.2	0.8
Hull CMA	1.4	0.6
Quebec CMA	1.6	0.8
Regina CMA	1.4	2.1
Saint John CMA	3.4	5.6
St. John's CMA	3.8	2.5
Saskatoon CMA	1.7	2.9
Sherbrooke CMA	4.7	2.3
Sudbury CMA	7.7	5.7
Thunder Bay CMA	5.8	5.8
Toronto CMA	0.6	0.9
Trois-Rivières CMA	6.8	4.7
Vancouver CMA	1.4	1.0
Victoria CMA	1.8	0.5
Windsor CMA	1.9	2.9
Winnipeg CMA	2.0	1.4
Charlottetown CA	2.6	1.8
CANADA	1.6	1.1

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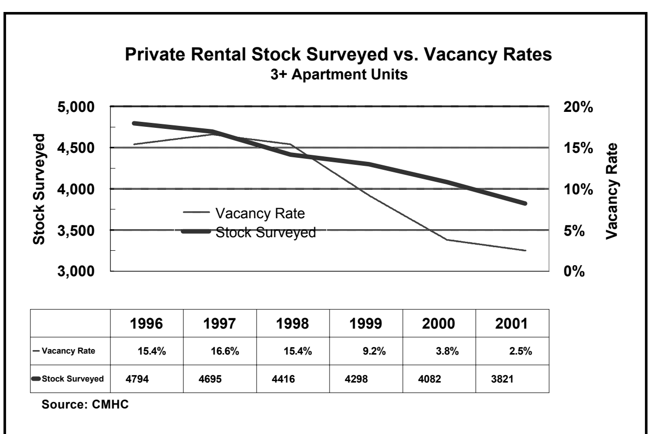
On the supply side of the market, those factors include; reductions in the number of apartments due to condo conversion activity. While having less of an impact, the recent loss of apartment units due to fire as well as conversion of some stock to hotel accomodation has also served to reduce the number of apartments in the market. The supply crunch has been further exacerbated by the virtual collapse of new construction in recent years.

Factors influencing demand include; sustained employment growth, particularly in serviced based industries; continued high enrollments in the region's larger educational institutions; and immigration to the region.

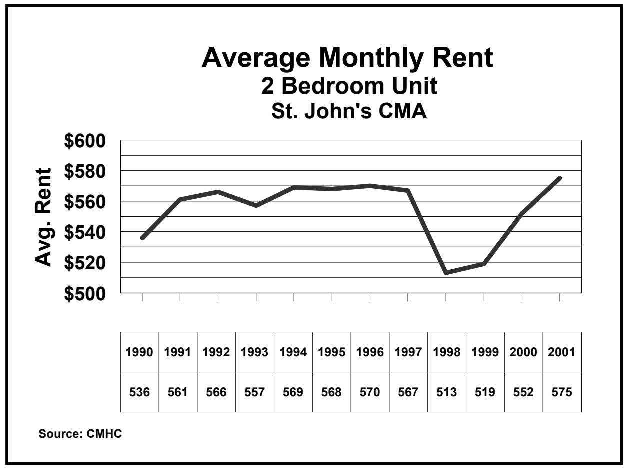
Supply of Apartments Continues to Fall

While the condominium conversion activity has fallen significantly over the past 12 months, the impacts from previous years continue to play a major role in the rental market. CMHC estimates that as many as 1,200 rental units have been converted to condominiums over the past decade with over half of these occurring in larger projects containing six or more units. Since 1996, an estimated 700 apartment units have been removed from the rental market due to conversion activity. The supply of apartments in larger projects has been further reduced by fire losses and conversion to hotel style accommodation. The impact of these reductions is clearly indicated by changes in the number of units included in CMHC's annual rental market survey. The most recent survey conducted in early October included the enumeration of 3,821 apartment units. This compares to 4,794 units in October 1996 and 4,082 units in 2000. While changes in the number of apartments included in the survey can occur as a result of response rates, the downward trend in total rental stock is still apparent. The combination of steadily rising demand and reduced supply has resulted in increasingly tight market conditions. This is also allowing landlords to raise rents.



Tight Conditions Forcing Monthly Rents Higher

Following substantial declines throughout the mid to late 1990's, average rents have been steadily increasing over the past two years. The rebound in rents largely reflects the impacts of steadily rising demand and reduced supply. In fact, the average rent for a two bedroom apartment, at $575 per month, increased for the second consecutive year in 2001 surpassing the previous high which was recorded in 1996.



Apartment Starts Remain Depressed

As indicated above, monthly rents have been on the rise, particularly over the past two years. Despite the improvement, construction of larger rental projects has not returned to the market. This largely reflects the perceived risks between rents that are viewed as achievable in the market and associated construction costs. Furthermore, lack of prime locations to build new units is also viewed as a drawback to new construction. Over the past decade, additions to the supply of rental housing have been almost entirely due to the construction of single-detached homes with basement apartments.

Even this form of housing has virtually dried up. After peaking at 278 units in 1994, the number of basement apartments has fallen steadily with only 30 units built last year. Improved affordability brought about by low interest rates and rising costs associated with their construction are among the major factors for the drop in basement apartments. Accordingly, the absence of new supply has also led to lower vacancy rates.

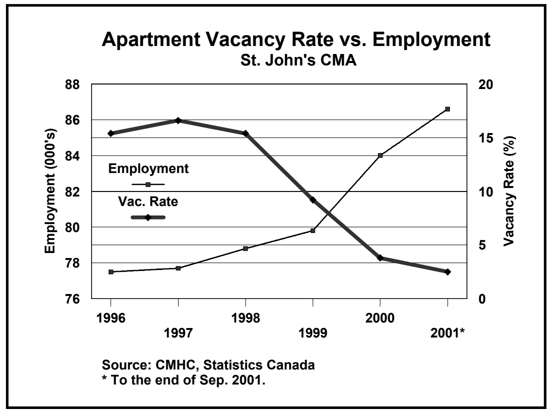
More Apartment Starts on the Horizon

Falling vacancy rates, rising rents and strong household demand are among several factors pointing to a recovery in the rental construction sector over the next 12 to 24 months. While two-apartment homes will not return to the lofty heights reached during the early to mid 1990's, there is potential for a modest recovery in coming years. Growth in the seniors population will prompt more families to include a basement apartment to house their aging parents. Cost savings associated with a basement apartment versus an above ground suite will also support this form of housing. Growing demand from seniors is also expected to prompt a number of investors to construct apartments suited to their lifestyle requirements. Continued migration to the region of professionals involved in oil and high-tech industries should also boost apartment construction in coming years.

Job Growth and Population Increases Stimulate Rental Demand

The St. John's economy has continued to expand throughout 2001, marking the fifth consecutive year of growth. According to data published by Statistics Canada, to the end of September, there were 3,600 more people working than during the same period a year earlier. Virtually all of the new jobs have been full-time with the majority created in service producing industries. Between 1997 and 2000, approximately 6,500 jobs have been created. The adjoining graph clearly illustrates the relationship between job growth and vacancy rate declines. Without a doubt, the prolonged economic upturn and associated employment gains have had a positive impact on the local rental market over the past five years.

Population estimates produced by Statistics Canada also indicate that the total population aged 15 years and older has also been growing since 1996. Statistics Canada estimates that between January 1996 and September of 2001 the population aged 15 years and older has increased by 1,100 persons. This population growth has also helped to stimulate rental demand.



Vacancy Rate To Remain Low in 2002

Rental demand will continue to benefit from employment gains associated with another year of economic expansion. When combined with continued movement to the region and limited construction of new stock, the vacancy rate will remain in the 2.0 to 3.0 per cent range next year.

METHODOLOGY

Canada Mortgage and Housing Corporation conducts the Rental Market Survey every year in October to determine the number of vacancies and the rents charged in rental structures. The survey is conducted on a sample basis in all urban areas with populations of 10,000 and more. Only Structures which have been on the market for at least three months are included. While this publication is mainly about privately initiated apartments with three units and more, the CMHC survey also examines row houses and publicly initiated rental and co-op housing. The survey is conducted by telephone or site visit, and rent information is obtained from the owner, manager or building superintendent. The survey is conducted in the first two weeks of October and these results reflect market conditions at that time.

Definitions

Vacancy: A unit is considered vacant if, at any time of the survey, it is physically unoccupied and available for immediate rental.

Rent: The rent data refers to the actual amount tenants pay for their unit. Amenities and services such as heat, light, parking, hot water and laundry facilities may or may not be included in the monthly rent reported in individual cases.

The average rent figures reported in this publication represent the average of different units in the market area, some of which may have some or all of these services.

Rental apartment structure: Any building containing three or more rental dwellings which are not all ground oriented.

Rental row house structure: Any building with three or more rental dwellings which are ground oriented.

Acknowledgement
The Rental Market Survey could not have been conducted without the co-operation of the many property owners and managers throughout Canada. We greatly acknowledge their hard work and assistance in providing timely and accurate information. We sincerely hope that the results of this work will provide a benefit to these clients and to the entire housing industry.

Table 1 : Apartment Vacancy Rates (per cent) By Zone and Bedroom Type St. John's CMA - October 2000-2001

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1 - St. John's East	4.1	3.3	***	9.5	2.7	3.5	4.9	1.6	***	2.9
Zone 2 - St. John's West	1.2	1.4	***	***	0.4	0.2	1.7	0.4	***	***
St. John's City 1-2	**2.7**	**2.4**	**3.3**	**8.7**	**1.5**	**1.8**	**3.5**	**1.0**	**0.9**	**1.5**
Zone 3 - Remainder of Metro Area	19.4	4.1	***	***	***	***	****	6.2	****	****
St. John's CMA	**3.8**	**2.5**	**3.2**	**8.6**	**4.5**	**1.7**	**3.8**	**1.5**	**0.8**	**2.2**

Note: Privately initiated, three units and over.

***Not available. Suppressed because of confidentiality.

Table 2 : Number of Apartments Units by Zone and Bedroom Type St. John's CMA - October 2001

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1 - St. John's East	57	1,723	21	225	18	519	14	869	3	109
Zone 2 - St. John's West	25	1,752	21	264	1	541	3	840	***	***
St. John's City 1-2	**82**	**3,475**	**42**	**489**	**19**	**1,060**	**17**	**1,709**	**3**	**216**
Zone 3 - Remainder of Metro Area	14	346	***	***	***	***	11	171	***	***
St. John's CMA	**96**	**3,821**	**42**	**494**	**20**	**1,175**	**28**	**1,880**	**6**	**271**

Note: Privately initiated, three units and over.

***Not available. Suppressed because of confidentiality.

Table 3: Apartment Vacancy Rates (per cent) by Bedroom Count and Structure Size St. John's CMA - October 2001

Structure Size	Bachelor	One Bedroom	Two Bedroom	Three Bedroom +	Total
3 - 5 Units	8.3	4.5	6.6	2.9	5.4
6 - 19 Units	***	0.0	1.3	3.7	1.7
20 - 49 Units	0.0	2.9	1.4	***	1.7
50 - 99 Units	5.3	4.0	0.5	0.0	1.7
100-199 Units	15.6	0.3	0.0	***	4.6
Total	**8.6**	**1.7**	**1.5**	**2.2**	**2.5**

Note: Privately initiated, three units and over.

***Not available. Suppressed because of confidentiality.

Table 4 : Apartment Average Rents ($) by Zone and Bedroom Type
St. John's CMA - October 2001

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1 - St. John's East	548	559	***	422	472	478	608	637	***	602
Zone 2 - St. John's West	495	515	***	***	497	516	502	535	***	***
St. John's City 1-2	**522**	**537**	**423**	**420**	**484**	**498**	**559**	**587**	**582**	**604**
Zone 3 - Remainder of Metro Area	***	***	***	***	***	***	***	459	***	***
St. John's CMA	**516**	**528**	**422**	**419**	**477**	**489**	**552**	**575**	**583**	**581**

Note: Privately initiated, three units and over.

***Not available. Suppressed because of confidentiality.

Table 5: Vacancy Rates (per cent) by Structure Type
St. John's CMA - October 2001

Area	3-5 apt.	6+ apt.	Row	Row and Apt.
Zone 1 - St. John's East	6.1	2.7	**	3.3
Zone 2 - St. John's West	1.5	1.4	**	1.8
Zone 3				
Remainder of Metro Area	8.8	3.6	2.6	4.0
Total	**5.4**	**2.2**	**9.1**	**2.7**

***Not available. Suppressed because of confidentiality.

Table 6 : Row and Apartment Vacancy Rates (per cent) by Zone and Bedroom Type St. John's CMA - October 2000-2001

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1 - St. John's East	4.0	3.3	***	9.5	2.7	3.5	4.9	1.6	0.8	2.9
Zone 2 - St. John's West	1.2	1.8	***	***	0.4	0.2	1.7	0.4	***	***
St. John's City 1-2	**2.6**	**2.5**	**3.3**	**9.1**	**1.5**	**1.8**	**3.4**	**1.0**	**0.8**	**1.5**
Zone 3 - Remainder of Metro Area	***	4.0	***	***	***	***	***	6.5	***	***
St. John's CMA	**3.7**	**2.7**	**3.2**	**9.1**	**4.5**	**1.7**	**3.7**	**1.5**	**0.7**	**2.0**

Note: Privately initiated, three units and over.

***Not available. Suppressed because of confidentiality.

Table 7 : Number of Row and Apartment Units by Zone and Bedroom Type St. John's CMA - October 2001

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1 - St. John's East	57	1,723	21	225	18	519	14	869	3	109
Zone 2 - St. John's West	31	1,793	27	305	1	541	3	840	***	***
St. John's City 1-2	**88**	**3,516**	**48**	**530**	**19**	**1,060**	**17**	**1,709**	**3**	**216**
Zone 3 - Remainder of Metro Area	15	384	***	***	***	***	12	181	***	***
St. John's CMA	**103**	**3,900**	**48**	**535**	**20**	**1,181**	**29**	**1,890**	**6**	**293**

Note: Privately initiated, three units and over.

***Not available. Suppressed because of confidentiality.

Table 8 : Row and Apartment Average Rents ($) by Zone and Bedroom Type
St. John's - October 2000-2001

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1 - St. John's East	548	559	***	422	471	478	607	637	589	602
Zone 2 - St. John's West	495	510	***	***	497	516	502	535	***	***
St. John's City 1-2	**522**	**534**	**423**	**410**	**484**	**498**	**559**	**587**	**582**	**604**
Zone 3 - Remainder of Metro Area	***	453	***	***	***	***	***	459	***	***
St. John's CMA	**516**	**526**	**422**	**408**	**477**	**489**	**551**	**575**	**571**	**579**

Note: Privately initiated, three units and over.

***Not available. Suppressed because of confidentiality.

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